



**United States Department of Justice
United States Attorney's Office
District of Minnesota**

Rachel K. Paulose, United States Attorney

David Anderson, Public Affairs Specialist
(612) 664-5684; cell: (612) 730-2251

News Release

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Investment banker sentenced to 42 months in prison

A former investment banker from Maple Grove was sentenced to serve 42 months in federal prison yesterday in Minneapolis by United States District Court Judge Paul Magnuson. Stephen Richards Barker, 52, was convicted by a jury in March on four counts of tax evasion.

The jury deliberated for five hours before finding Barker guilty. Evidence presented in trial showed that beginning in 1996, Barker established several sham trusts in the Principality of Andorra, a small nation on the border between France and Spain. Barker owned, controlled and were the beneficiaries of those trusts, which were used to evade the payment of taxes.

Barker owned and controlled offshore companies for the purpose of evading the payment of taxes, including two that were set up in St. Kitts and Nevis, a small island state in the West Indies. He also used some domestic entities to evade paying taxes, including using the services of a company in the business of assisting people in evading taxes and other debts.

Through that company, Laughlin International, Barker obtained control of Shasta Property Management, Inc., a Nevada corporation. Although he was not a listed owner or company officer, Barker controlled the corporation through others who assisted him in tax evasion. Four individuals associated with Laughlin International were previously charged and convicted of tax-related offenses.

From at least the mid-1980s until approximately July 2006, Barker also worked in the investment brokerage business. Between 1994 and 1997, he earned in excess of \$3.8 million. For tax years 1995, 1996 and 1997, Barker did not file income tax returns. Based on information reported to the Internal Revenue Service by his employers and others, however, Barker was assessed with federal income taxes, penalties and interest due, and owing in the amount of \$813,401 for tax year 1995; \$979,574 for 1996; and \$398,343 for 1997.

Barker was notified by the IRS that he owed a total of \$2.27 million in federal income taxes, penalties and interest for tax years 1994 through 1997. By 2003, Barker knew his tax debt for those same years had grown to more than \$2.5 million.

To avoid paying this debt, Barker placed assets in the names of others and in the names of

sham trusts and companies he controlled. He also transferred assets out of the country, avoided holding assets or receiving income in his own name, and paid for personal expenses with cash or assets held by his sham trusts and companies. Moreover, he made false statements to the IRS and attempted to destroy records.

For example, in 1998, Barker filed a quit claim deed, transferring to his wife his share of the Florida home they had jointly owned. Then, in June 2000, the home was sold for \$2.2 million. According to the settlement statement, the Barkers received no proceeds from the sale. However, evidence at trial showed that more than \$1 million of those proceeds went to pay off a lien that Barker had caused his father-in-law to file against the home on behalf of B. Capital Management. Thereafter, Barker and his wife used money from B. Capital Management accounts for their personal benefit, including rent payments, private school tuition for their children, the purchase of furniture and vehicles and credit card payments.

Trial evidence indicated that Barker also purchased a \$470,000 condominium in Florida in the name of Shasta Property Management, Inc. He paid for the property in full with a \$1,000 check drawn on a B. Capital Management account for the down payment, and the balance being funds wired into the Shasta Property account from an offshore account with the Bank of Nevis.

The condo was used as a home for the Barkers, but Barker prepared a commercial lease for the property, making it appear that Shasta Property was leasing the condo to B. Capital Management and Tower Finance Ltd. At the same time, the Barkers owned a home in McGregor, Minn., as well as one in Bristol, R.I., and they rented another home in Naples, Fla, for \$72,000 per year.

In addition, Barker purchased a 2000 Cadillac Escalade, and when he sold the car, he deposited the proceeds into the checking account for B. Capital Management. He also purchased boats and trailers, as well as a Mercedes SUV and a Mercedes wagon with funds from his sham companies and trusts. At one time, he owned four Mercedes vehicles.

Trial evidence showed numerous examples of how Barker evaded paying his taxes even though he had the funds to do so. This case was the result of an investigation by the IRS-Criminal Investigations Division, and was prosecuted by Assistant U.S. Attorney Mike L. Cheever.